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EX PARTE OR LATE FILED

March 10, 1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Re: *In the Matters of Federal-State Joint Board on Universal Service, CC Docket No. 96-45; Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, CC Docket No. 96-98; Telephone Number Portability, CC Docket No. 95-116; and Access Charge Reform, CC Docket No. 96-262*

Dear Mr. Caton:

Pursuant to the Commission's rules governing ex parte presentations, please be advised that the attached letter was delivered to Patrick DeGraba of the Common Carrier Bureau on Friday, March 7, 1997. Mr. DeGraba requested certain information about financial impacts upon Southwestern Bell in several rule making proceedings.

Due to the late hour of the day that the letter was delivered to Mr. DeGraba, we were unable to deliver a copy to your office for the official record in each of the above-referenced dockets. Please direct any inquiries concerning this matter to the undersigned.

Very truly yours,

cc: Mr. Boasberg
Mr. Coltharp
Mr. Casserly
Mr. Gonzalez
Ms. Keeney
Mr. Metzger
Ms. Levitz
Mr. Schlichting



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March 7, 1997

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Mr. Patrick DeGraba
Chief Economist
Common Carrier Bureau
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Dear Mr. DeGraba:

Re: CC Docket No. 96-262, 96-98, 96-45, and 96-116

On behalf of Southwestern Bell Telephone Company (SWBT), I hereby respond to your request for information on the financial impact of a number of current FCC rulemaking proceedings. Much of the information has already been filed with the Commission, but we have selected those pieces which specifically respond to the staff questions.

Each piece of data embodies many assumptions that are not detailed here (more detail, though not exhaustive, is contained in documents previously filed). Given that similar information is being requested from other companies, and that their input will similarly depend on many assumptions, it will be difficult and potentially misleading to simply combine the responses.

You will readily note that the dollar impacts of the access charge, universal service, number portability and interconnection issues you raised is quite large. These figures underscore the reasons already given by Southwestern Bell in each of the relevant dockets to undertake a comprehensive approach, which does not favor one competitor over another, while still allowing incumbent LECs the opportunity to recover their actual costs. Unless appropriate cost recovery mechanisms are in place for each of these issues, the Commission risks a confiscatory result. In each of these dockets, SWBT has proposed a method for the Commission to avoid such claims.

1. **You asked what would be the revenue impact upon SWBT if per minute access charges were reduced to \$0.01 per minute (as the RBOCs have suggested) or \$0.004 (as AT&T has proposed through its Hatfield Model).**

SWBT's approximate calculations for these impacts are as follows:

Interstate access charge <u>losses</u> at \$0.01/minute:	\$440,000,000
Interstate access charge <u>losses</u> at \$0.004/minute:	\$670,000,000

Intrastate access charge losses at \$0.01/minute: \$761,000,000
Intrastate access charge losses at \$0.004/minute: \$861,000,000

These calculations utilized CCL, switching, TIC, and transport revenues and are based on total switched minutes (1996 data). LTS and payphone costs were removed, acknowledging alternative recovery sources. Intrastate losses are also included due to the arbitrage effects of the proposed reductions.

2. **Universal Service: you asked what would be the revenue impact upon SWBT if the FCC sets the universal service benchmark at either \$30 or \$20? What would SWBT pay into a high cost fund and what would SWBT draw from a high cost fund? You suggested that the question should be answered in two ways -- assuming (1) that ILECs' interstate only revenues were assessed and then (2) that ILECs' interstate and intrastate revenues were assessed to support the high cost fund.**

The following table shows SWBT's estimated payment into, and receipts from, a High Cost USF according to the Hatfield model (Version 2.2 release 2) and the BCM2 model. Data are provided for benchmarks of \$30 and \$20, and for a funding base of interstate only revenues and interstate/intrastate revenues. Estimates were provided based on net revenues and retail revenues. **These numbers do not reflect funding for education.** The amount SWBT receives assumes contributions are funded through a customer surcharge. If contributions to the fund are not recovered through a customer surcharge, the amount SWBT receives from the fund would be reduced by the amount paid to the fund.

Model and Benchmark	SWBT High Cost Fund Alternative Revenue Flows (\$000s)				SWBT Receives
	SWBT Pays In				
	Revenues Net Payment to Other Carriers		Retail Revenues		
	Interstate	Inter+Intra state	Interstate	Inter+Intra state	
Hatfield (\$20)	\$166,208	\$271,923	\$ 62,354	\$199,852	\$ 297,797
Hatfield (\$30)	\$ 82,718	\$135,330	\$ 31,032	\$ 99,462	\$ 127,503
BCM (\$20)	\$457,376	\$748,287	\$171,587	\$549,960	\$1,361,502
BCM (\$30)	\$231,570	\$378,860	\$ 86,875	\$ 278,446	\$ 541,062

Mr. Patrick DeGraba

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3. Number Portability: you asked what will implementation of number portability cost SWBT?

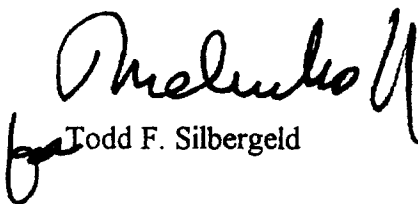
We estimate that implementing number portability will cost SWBT approximately a total of \$530 million in the top 13 MSAs and \$650 million throughout the five state SWBT region. These costs include Type 1, 2, and 3 costs. The Query on Release method has the potential to offer cost savings (\$60-80M) over the Location Routing Number method.

4. Interconnection: you asked what will implementation of the 96-98 Order, i.e., provision of access to operational support systems ("OSSs") for both resold local service and unbundled network elements, cost SWBT?

Access to OSS functions is estimated to cost a total of \$12 million of nonrecurring expense (capital included) through 1997 and recurring costs are estimated to be approximately \$1.3 million annually. These figures are subject to change.

I hope that these figures are responsive to your request. Please do not hesitate to call me if you wish to meet to discuss them.

Very truly yours,



Todd F. Silbergeld